

TOWNSHIP OF HIGGINS
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2008

Township Officials

Supervisor

June Karjalainen

Clerk

Terry Morley

Treasurer

Janae Ostling

Trustees

Laurie Granlund

Mary Krauss

Township of Higgins

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Independent Auditor's Report

December 15, 2008

To the Township Board
Higgins Township
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major funds of the Township of Higgins, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Higgins as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of April 1, 2007.

The management's discussion and analysis on pages 3-5 and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by The Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Higgins Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keskine, Cook, Miller & Alexander LLP

Keskine, Cook, Miller & Alexander, LLP

HIGGINS TOWNSHIP

COUNTY of ROSCOMMON

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Higgins Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

The assets of the Township exceeded its liabilities at the close of the fiscal year by approximately \$1,557,000. Of this amount, approximately \$577,000 may be used to meet the township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of approximately \$751,000 an increase of approximately \$128,000 in comparison with the prior year. Approximately 77% is available for spending at the Township's discretion.

Overall revenues totaled approximately \$688,000. Total revenues have increased slightly over the last two years due to increasing property tax revenues as a result of increasing taxable values of properties within the Township. Overall expenses totaled approximately \$563,000, which is consistent with the year ended March 31, 2006. Overall expenses were substantially lower (by approximately \$175,000) than the year ended March 31, 2007 due to a large road improvement project and a vehicle purchase that occurred during that year. The activities of the Township have remained the same.

Total assets total approximately \$1,774,000 and consist primarily of approximately \$707,000 in cash and equivalents and approximately \$912,000 in capital assets. Total assets have remained consistent with the prior years.

Total liabilities total approximately \$217,000 and consist primarily of deferred income and debt related to the purchase of a fire truck in during the year ended March, 31, 2007.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

SUPERVISOR
JUNE KARJALAINEN

CLERK
TERRY MORLEY

³
TREASURER
JANAE OSTLING

TRUSTEE
WILLIAM E. CURNALIA

TRUSTEE
RONALD PETERS

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the general fund (the only fund of the Township).

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

Governmental Funds: All of the entity's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed in reconciling statements to explain the difference between them. The Township's governmental funds include: General, Fire, Ambulance, Garbage, and Public Improvement.

Financial Analysis of the Township's Funds

General Fund – The General Fund increased its fund balance by \$20,538 to total \$228,108 as of March 31, 2008. Property taxes and assessments and State Shared Revenue account for approximately 87% of the General Fund's revenue.

Fire Fund – The Fire Fund increased its fund balance by \$56,525 to total \$286,905 as of March 31, 2008. Property taxes and assessments account for approximately 93% of the General Fund's revenue. All of the Fire Fund's expenses provide fire protection and pay debt.

Ambulance Fund – The Ambulance Fund increased its fund balance by \$39,744 to total \$225,462 as of March 31, 2008. Charges for ambulance service accounts for approximately 66% of the Ambulance Fund's revenue. All of the Ambulance Fund's expenses provide ambulance service to the Township's residents.

Garbage Fund – The Garbage Fund commenced operations in the year ended March 31, 2008. The Fund's revenue exceeded its expenditures by \$9,956 in the first year of operations. Property taxes and assessments accounts for approximately 99% of the Garbage Fund's revenue. All of the Garbage Fund's expenses provide garbage collection services.

Capital Asset and Long-Term Debt Activity

For the year ended March 31, 2008, the Township neither purchased, nor disposed of any capital assets. Depreciation expense totaled \$49,598.

Long Term Debt:

For the year ended March 31, 2008, the Township did not enter into any new debt obligations. The Township paid \$54,957 (\$47,637 principal and \$7,320 interest) on a loan entered into during the year ended March 31, 2007, of which the proceeds purchased of a fire truck.

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board.


June Karijainen, Supervisor

**TOWNSHIP OF HIGGINS
STATEMENT OF NET ASSETS
MARCH 31, 2008**

	Governmental Activities
<hr/>	
Assets	
Cash and equivalents	\$ 537,234
Cash and equivalents - restricted	170,222
Accounts receivable, net	75,382
Capital assets - Nondepreciable	20,300
Capital assets - Net of accumulated depreciation	891,934
	<hr/>
Total assets	1,695,072
Liabilities	
Accrued liabilities	4,051
Deferred income	31,576
Non-current liabilities:	
Due within one year	49,962
Due in more than one year	52,401
	<hr/>
Total liabilities	137,990
Net Assets	
Invested in capital assets - Net of related debt	809,871
Restricted:	
Restricted for fire equipment	146,488
Restricted for ambulance equipment	23,734
Unrestricted	576,989
	<hr/>
Total net assets	\$ 1,557,082
	<hr/>

See accompanying notes to financial statements

TOWNSHIP OF HIGGINS
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

Functions / Programs	P r o g r a m R e v e n u e s				Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
General government	\$ 200,699	\$ 137,139	\$ -	\$ -	(63,560)
Public safety	247,354	-	-	-	(247,354)
Public works	102,842	-	-	-	(102,842)
Recreation and culture	5,000	-	-	-	(5,000)
Interest on long-term debt	12,106	-	-	-	(12,106)
Total governmental activities	568,001	137,139	-	-	(430,862)
General Revenues:					
Property taxes					406,206
State of Michigan revenue sharing					64,132
Swamp tax					31,576
Interest income					20,852
Property tax administration fee					7,588
Building permits					5,086
Metro Act proceeds					1,626
Miscellaneous					15,354
Total general revenues					552,420
Change in Net Assets					121,558
Net Assets - April 1, 2007					1,435,524
Net Assets - March 31, 2008					1,557,082

See accompanying notes to financial statements.

TOWNSHIP OF HIGGINS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	<u>Major Governmental Funds</u>			Non-Major Governmental Funds	Total
	General	Fire	Ambulance		
Assets:					
Cash and equivalents	\$ 242,573	\$ 119,371	\$ 173,073	\$ 2,215	\$ 537,232
Cash and equivalents - restricted	-	146,488	23,734	-	170,222
Accounts receivable, net	9,001	21,046	28,655	16,680	75,382
Due from other funds	8,110	-	-	-	8,110
Total assets	\$ 259,684	\$ 286,905	\$ 225,462	\$ 18,895	\$ 790,946
Liabilities:					
Deferred revenue	\$ 31,576	\$ -	\$ -	\$ -	\$ 31,576
Due to other funds	-	-	-	8,110	8,110
Total liabilities	31,576	-	-	8,110	39,686
Fund Balance:					
Unrestricted	228,108	140,417	201,728	10,785	581,038
Reserved for equipment	-	146,488	23,734	-	170,222
Total fund balance	228,108	286,905	225,462	10,785	751,260
Total liabilities and fund balance	\$ 259,684	\$ 286,905	\$ 225,462	\$ 18,895	\$ 790,946

See accompanying notes to financial statements.

**TOWNSHIP OF HIGGINS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008**

Total Fund Balance - Governmental Funds (per balance sheet - page 8)	\$ 751,260
Amounts reported for governmental activities in the Statement of Net Assets (page 6) are difference because:	
Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	912,236
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(102,363)
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds	(4,051)
Total Net Assets - Governmental Activities (per Statement of Net Assets - page 6)	\$ 1,557,082

See accompanying notes to financial statements.

TOWNSHIP OF HIGGINS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2008

	General	Fire	Ambulance	Non-Major Governmental Funds	Total
Revenues:					
Taxes and assessments	\$ 97,560	\$ 172,240	\$ 60,834	\$ 107,148	\$ 437,782
Charges for services	9,388	-	137,139	-	146,527
Permit revenue	4,372	-	-	714	5,086
State sources	65,758	-	-	-	65,758
Interest	5,602	7,771	7,367	110	20,850
Miscellaneous	5,257	5,551	2,748	-	13,556
Total revenue	187,937	185,562	208,088	107,972	689,559
Expenditures:					
Current:					
General government	152,216	-	-	-	152,216
Parks & recreation	5,000	-	-	-	5,000
Public works	4,742	-	-	98,100	102,842
Public safety	3,815	74,080	168,344	-	246,239
Debt principal payments	-	47,637	-	-	47,637
Interest expense	-	7,320	-	735	8,055
Total expenditures	165,773	129,037	168,344	98,835	561,989
Excess of revenues over expenditures	22,164	56,525	39,744	9,137	127,570
Other Financing Sources (Uses):					
Operating transfer in	-	-	-	1,626	1,626
Operating transfer out	(1,626)	-	-	-	(1,626)
Total other financing sources (uses)	(1,626)	-	-	1,626	-
Excess of revenues and other sources over expenditures and other uses	20,538	56,525	39,744	10,763	127,570
Fund balance - April 1, 2007	207,570	230,380	185,718	22	623,690
Fund balance - March 31, 2008	\$ 228,108	\$ 286,905	\$ 225,462	\$ 10,785	\$ 751,260

See accompanying notes to financial statements.

**TOWNSHIP OF HIGGINS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008**

Net Change in Fund Balance - Governmental Funds (Page 10)	\$ 127,570
Amounts reported for governmental activities in the Statement of Activities (page 7) are difference because:	
Depreciation expense is recorded in the government-wide statements but not the fund financial statements.	(49,598)
Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide financial statements, long term debt is recorded and debt service payments are applied against the outstanding balances.	47,637
Certain expenses that do not require the use of current financial resources are not recorded in the governmental funds. However, in the government-wide financial statements, the expense and corresponding accrual is recorded.	(4,051)
Change in Net Assets of Governmental Activities - Page 7	\$ 121,558

See accompanying notes to financial statements.

**TOWNSHIP OF HIGGINS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
MARCH 31, 2008**

Assets

Cash	\$	79,381
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Liabilities

Undisbursed tax receipts	\$	79,379
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See accompanying notes to financial statements.

**TOWNSHIP OF HIGGINS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE 1: ENTITY

The Township of Higgins is a general law township of the State of Michigan located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including general government, public safety, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Higgins Township.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Higgins Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Higgins Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2007, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

**TOWNSHIP OF HIGGINS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Government-Wide Financial Statements (Continued)

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

**TOWNSHIP OF HIGGINS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Fire Fund – This fund is used to account for all financial activity related to the Township's fire fighting services. The main source of revenue is derived from property taxes.

Ambulance Fund – This fund is used to account for all financial activity related to the Township's ambulance services. The main source of revenue is derived from property taxes and ambulance fees.

The Township reports, in total, the following non-major funds: Rubbish and Capital Improvement funds.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**TOWNSHIP OF HIGGINS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, fees, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2007, are recorded as revenue in the current year.

The tax rates for the year ended March 31, 2008, were as follows:

<u>Purpose</u>	<u>Rate / Assessed Valuation</u>
General	1.4297 mills per \$1,000
Ambulance	1.9064 mills per \$1,000
Fire	3.5000 mills per \$1,000

**TOWNSHIP OF HIGGINS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

BUDGET

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The approved budgets of the Township were adopted on a fund level using the modified accrual basis. Budgets are normally formulated during December and January of each year and a budget hearing is held in February.

The Board adopts the budget prior to April 1st. Amendments are made when deemed necessary. Budgets are not required for proprietary, fiduciary, and debt service funds.

The Township overspent its budget in the Public Safety activity of the Fire Fund by \$54,957.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Office furniture and equipment	3 - 5 years
Buildings and improvements	15 - 60 years

Land and construction in progress are not depreciated.

For information describing capital assets, see Note 5.

**TOWNSHIP OF HIGGINS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates

NOTE 3: CASH AND EQUIVALENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan.

The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Higgins Township's deposits and investment policies are in accordance with statutory authority.

TOWNSHIP OF HIGGINS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 3: CASH AND EQUIVALENTS (CONTINUED)

The Township's deposits are included on the balance sheet under the following classifications:

Cash and equivalents	\$ 537,232
Cash and equivalents - restricted	<u>170,222</u>
	<u><u>\$ 707,454</u></u>

All of the Township's cash balance as of March 31, 2008 is in bank deposits—checking accounts and savings accounts.

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$787,946, of which \$100,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 4: RECEIVABLES

Accounts receivable at March 31, 2008 consisted of the following:

	<u>General</u>	<u>Fire</u>	<u>Ambulance</u>	<u>Non-Major</u>	<u>Total</u>
Taxes	\$ 9,001	\$ 21,046	\$ 8,071	\$ 16,680	\$ 54,798
Ambulance billings	-	-	30,722	-	30,722
Subtotal	<u>9,001</u>	<u>21,046</u>	<u>38,793</u>	<u>16,680</u>	<u>85,520</u>
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(10,138)</u>	<u>-</u>	<u>(10,138)</u>
Total accounts receivable	<u><u>\$ 9,001</u></u>	<u><u>\$ 21,046</u></u>	<u><u>\$ 28,655</u></u>	<u><u>\$ 16,680</u></u>	<u><u>\$ 75,382</u></u>

TOWNSHIP OF HIGGINS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 5: CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

Governmental Activities	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Capital assets not being depreciated:				
Land	\$ 20,300	\$ -	\$ -	\$ 20,300
Capital assets being depreciated:				
Building	\$ 283,064	\$ -	\$ -	\$ 283,064
Equipment	1,028,450	-	-	1,028,450
Subtotal	1,311,514	-	-	1,311,514
Accumulated depreciation				
Building	80,666	4,718	-	85,384
Equipment	289,316	44,880	-	334,196
Subtotal	369,982	49,598	-	419,580
Net capital assets being depreciated	\$ 941,532	\$ (49,598)	\$ -	\$ 891,934

Depreciation expense was charged to the functions of the Township as follows:

General government	\$ 1,115
Public safety	48,483
	<u>\$ 49,598</u>

NOTE 6: LONG-TERM DEBT

In June 2006, the Township borrowed \$150,000 to finance the purchase of a rescue truck. Payments are \$54,957 annually for three years, including interest at 4.88%. The balance on March 31, 2008 was \$102,363.

NOTE 7: RESTRICTED FUND BALANCES

Special Revenue Funds – The fund balance of the fire fund and ambulance fund are restricted in the amounts of \$146,488 and \$23,734 respectively, for the future acquisition of equipment.

TOWNSHIP OF HIGGINS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 8: PENSION PLAN

The Township contributes to a defined contribution pension plan through Manufacturer's Life Insurance Company. Michigan Compiled Laws, Section 38.1132 authorizes the Township pension plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property. The plan is available for the Township Board and the zoning and building administrators. The Township contributes 15% of all eligible officials and employees' wages. During the year ended March 31, 2008, the Township contributed \$8,902 to the plan on behalf of its officials and employees.

NOTE 9: INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Township participates in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance.

The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other types of losses including employee health and accident insurance.

TOWNSHIP OF HIGGINS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Revenues				
Local sources:				
Real and personal property taxes	\$ 77,785	\$ 77,785	\$ 65,984	\$ 11,801
Swamp tax	31,000	31,000	31,576	(576)
Charges for services	7,492	7,492	7,588	(96)
Permit revenue	11,000	11,000	4,372	6,628
Interest	5,750	5,750	5,602	148
Miscellaneous	1,200	1,200	5,257	(4,057)
State sources:				
State revenue sharing	64,142	64,142	64,132	10
Metro act	1,800	1,800	1,626	174
Total revenues	<u>200,169</u>	<u>200,169</u>	<u>186,137</u>	<u>14,032</u>
Expenditures				
General Government:				
Township Board:				
Trustees salary	3,784	3,784	3,784	-
Supplies	3,850	3,850	3,133	717
Postage	3,500	3,500	2,263	1,237
Legal	3,000	5,250	4,997	253
Fireworks	500	500	500	-
Miscellaneous	100	100	70	30
Dues and memberships	3,000	3,834	3,834	-
Office equipment	10,500	5,917	3,837	2,080
Fringes	15,250	15,250	13,995	1,255
Insurance and bonds	13,000	13,000	10,829	2,171
Zoning	5,300	5,300	4,982	318
Total Township Board	<u>61,784</u>	<u>60,285</u>	<u>52,224</u>	<u>8,061</u>
Supervisor:				
Salary	14,500	14,500	14,500	-
Travel	400	400	76	324
Total Supervisor	<u>14,900</u>	<u>14,900</u>	<u>14,576</u>	<u>324</u>
Elections:				
Wages	500	512	512	-
Total Elections	<u>500</u>	<u>512</u>	<u>512</u>	<u>-</u>

TOWNSHIP OF HIGGINS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Assessor:				
Salary	29,304	29,304	29,304	-
Supplies	1,750	1,750	1,636	114
Total Assessor	31,054	31,054	30,940	114
Clerk:				
Salary	18,862	18,862	18,862	-
Contract Labor	400	400	-	400
Total Clerk	19,262	19,262	18,862	400
Board of Review:				
Wages	1,400	1,400	1,200	200
Miscellaneous	100	100	53	47
Total Board of Review	1,500	1,500	1,253	247
Treasurer:				
Salary	21,932	21,932	21,932	-
Contract labor	500	500	-	500
Supplies	900	900	573	327
Total Treasurer	23,332	23,332	22,505	827
Building and grounds:				
Telephone	1,300	1,300	1,295	5
Electric	1,000	1,000	889	111
Heating	1,200	1,200	1,061	139
Water & sewer	350	350	313	37
Lawn maintenance	2,000	2,000	1,469	531
Building & grounds	1,000	2,563	2,562	1
Snowplowing	750	1,684	1,683	1
Security	1,610	1,610	1,597	13
Constable's salary	475	475	475	-
Total building and grounds	9,685	12,182	11,344	838
Building authority	16,000	16,117	-	16,117
Total general government	178,017	179,144	152,216	26,928

TOWNSHIP OF HIGGINS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Public Safety:				
Building Inspector	4,275	4,275	2,027	2,248
Plumbing & mechanical Inspector	3,600	3,600	1,058	2,542
Electrical Inspector	2,250	2,250	730	1,520
Total public safety	10,125	10,125	3,815	6,310
Public Works:				
Street lights	5,000	5,000	4,742	258
Total public works	5,000	5,000	4,742	258
Parks & Recreation	5,000	5,000	5,000	-
Total expenditures	198,142	199,269	165,773	33,496
Excess of revenues over expenditures	2,027	900	20,364	19,464
Other Financing Sources (Uses)				
Transfer in from other funds	100	100	1,800	(1,700)
Transfer to other funds	-	-	(1,626)	1,626
Total other financing sources	100	100	174	(74)
Excess of revenues collected over expenditures and other sources	2,127	1,000	20,538	19,538
Fund balance - April 1, 2007	223,686	223,686	223,686	-
Fund balance - March 31, 2008	\$ 225,813	\$ 224,686	\$ 244,224	\$ 19,538

TOWNSHIP OF HIGGINS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FIRE FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Taxes and assessments	173,836	173,836	172,240	1,596
Interest	7,000	7,000	7,771	(771)
Miscellaneous	5,000	5,000	5,551	(551)
Total revenues	185,836	185,836	185,562	274
Expenditures				
Public safety:				
Wages	33,200	33,200	23,227	9,973
Fringe benefits	3,400	3,400	2,689	711
Office supplies	1,100	1,100	970	130
Rescue supplies	12,000	12,000	7,320	4,680
Repairs and maintenance	5,500	6,634	5,944	690
Insurance	8,100	8,100	6,531	1,569
Telephone	5,330	5,961	5,117	844
Gasoline	2,100	2,100	1,753	347
Education and training	7,400	7,400	6,080	1,320
Building and grounds	3,850	3,669	2,883	786
Miscellaneous	5,856	4,272	312	3,960
Debt service	-	-	54,957	(54,957)
Total public safety	87,836	87,836	117,783	(29,947)
Capital outlay	22,500	22,500	11,254	11,246
Total expenditures	110,336	110,336	129,037	(18,701)
Excess of revenues collected over expenditures	75,500	75,500	56,525	18,975
Other Financing Uses				
Transfer to other funds	(74,500)	(74,500)	-	(74,500)
Excess of revenues collected over expenditures and other uses	1,000	1,000	56,525	(55,525)
Fund balance - April 1, 2007	230,380	230,380	230,380	-
Fund balance - March 31, 2008	231,380	231,380	286,905	(55,525)

TOWNSHIP OF HIGGINS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
AMBULANCE FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Taxes and assessments	72,024	72,024	60,834	11,190
Charges for services	125,000	125,000	137,139	(12,139)
Interest revenue	6,500	6,500	7,367	(867)
Miscellaneous	5,000	5,000	2,748	2,252
Total revenues	208,524	208,524	208,088	436
Expenditures				
Public Safety:				
Wages	64,550	64,550	49,650	14,900
Fringe benefits	7,600	7,600	6,766	834
Intercepts	60,000	60,000	57,750	2,250
Equipment	15,000	15,000	4,070	10,930
Downtown development authority	11,000	11,939	11,939	-
Billing services	13,000	13,000	11,697	1,303
Office supplies	3,700	3,700	2,483	1,217
Repairs and maintenance	5,500	5,500	4,196	1,304
Insurance	6,200	6,200	5,450	750
Utilities	5,330	5,509	5,115	394
Gasoline	2,500	3,087	3,086	1
Education and training	3,500	3,500	1,120	2,380
Building and grounds	3,850	3,534	2,884	650
Clothing	400	449	338	111
Total public safety	202,130	203,568	166,544	37,024
Total expenditures	202,130	203,568	166,544	37,024
Excess of revenues collected over expenditures	6,394	4,956	41,544	(36,588)
Other financing sources				
Transfers in	5,000	5,000	-	5,000
Transfer to other funds	(6,800)	(6,800)	(1,800)	(5,000)
Total other financing sources	(1,800)	(1,800)	(1,800)	-
Excess of revenues collected over expenditures and other uses	4,594	3,156	39,744	(36,588)
Fund balance - April 1, 2007	185,718	185,718	185,718	-
Fund balance - March 31, 2008	190,312	188,874	225,462	(36,588)

TOWNSHIP OF HIGGINS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
MARCH 31, 2008

	Garbage	Capital Improvement	Total
Assets			
Cash	\$ 651	\$ 1,564	\$ 2,215
Accounts Receivable, net	16,680	-	16,680
Total assets	<u>\$ 17,331</u>	<u>\$ 1,564</u>	<u>\$ 18,895</u>
Liabilities			
Due to other funds	\$ 8,110	\$ -	\$ 8,110
Accounts payable	-	-	-
Fund Balance			
Unrestricted	9,221	1,564	10,785
Total liabilities and fund balance	<u>\$ 17,331</u>	<u>\$ 1,564</u>	<u>\$ 18,895</u>

TOWNSHIP OF HIGGINS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR FUNDS
YEAR ENDED MARCH 31, 2008

	<u>Garbage</u>	<u>Public Improvement</u>	<u>Total</u>
Revenues:			
Taxes and assessments	\$ 107,148	\$ -	\$ 107,148
Permit revenue	714	-	714
Interest	65	45	110
Total revenues	<u>107,927</u>	<u>45</u>	<u>107,972</u>
Expenditures:			
Public works	97,971	129	98,100
Total expenditures	<u>97,971</u>	<u>129</u>	<u>98,100</u>
Excess (deficiency) of revenues over (under) expenditures	9,956	(84)	9,872
Other Financing Sources:			
Transfer In	-	1,626	1,626
Excess (deficiency) of revenues and other sources over (under) expenditures	9,956	1,542	11,498
Fund Balance - April 1, 2007	<u>-</u>	<u>22</u>	<u>22</u>
Fund balance - March 31, 2008	<u><u>\$ 9,956</u></u>	<u><u>\$ 1,564</u></u>	<u><u>\$ 11,520</u></u>



Keskine, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
December 15, 2008

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskine, CPA (Ret.)
Ronald D. Alexaner, CPA (Ret.)

To the Township Board
Higgins Township
Roscommon County, MI

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Township of Higgins (the Township) as of and for the year ended March 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

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This communication is intended solely for the information and use of management, the Township of Higgins' Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Keskine, Cook, Miller & Alexander LLP

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December 15, 2008

To the Township Board
Higgins Township
Roscommon County, MI

We have audited the financial statements of the governmental activities and the major fund of the Township of Higgins (the Township) for the year ended March 31, 2008, and have issued our report thereon dated December 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on May 16, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Township's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles (GAAP). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Higgins' Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Comments and Recommendations

Budget

During the course of our audit we noted that the Township experienced an overexpenditure for the public safety activity within the Fire Fund, in violation of the Uniform Accounting and Budgeting Act (P.A. of 1968, as amended). This item was new in the audited year and appears to have been overlooked when preparing the budget. We recommend that the Township use its budgets as flexible management tools and amend when necessary to avoid overexpenditures.

Respectfully submitted,

KesKine, Cook, Miller & Alexander LLP

Keskine, Cook, Miller & Alexander LLP